

# ONTARIO FINANCES

2001-02 FIRST QUARTER

QUARTERLY UPDATE - JUNE 30, 2001

Government Publications  
Ontario  
Ministry of Finance

## Fiscal Summary (\$ Millions)

	Interim 2000-01	2001-02		
		Budget Plan	Current Outlook	In-Year Change
<b>Revenue</b>	64,927	64,270	64,270	--
<b>Expenditure</b>				
Programs	50,428	52,011	52,011	--
Restructuring and Other Charges	31	--	--	--
<b>Total Program Expenditure</b>	50,459	52,011	52,011	--
Capital	2,075	1,944	1,944	--
Public Debt Interest				
Provincial	8,883	8,795	8,795	--
Electricity Sector	520	520	520	--
<b>Total Expenditure</b>	61,937	63,270	63,270	--
Less: Reserve	--	1,000	1,000	--
Add: Net Impact of Electricity Restructuring to be Recovered from Ratepayers*	202	140	140	--
<b>SURPLUS / (DEFICIT)</b>	<b>3,192</b>	<b>140</b>	<b>140</b>	<b>--</b>

\* Reflects the estimated excess of revenue over expenditure of the Ontario Electricity Financial Corporation (OEFC). Consistent with the principles of electricity restructuring, OEFC debt is to be recovered from ratepayers, not taxpayers.

## HIGHLIGHTS

### 2001-02 IN-YEAR PERFORMANCE

#### BALANCED BUDGET OUTLOOK

♦ The 2001-02 fiscal outlook is on track with the Budget Plan. As of June 30, 2001 a surplus of \$140 million is projected, unchanged from the 2001 Ontario Budget.

#### REVENUE AT \$64.3 BILLION

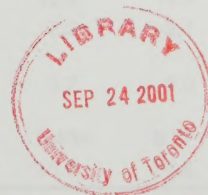
♦ The revenue outlook, at \$64,270 million, is unchanged from the Budget Plan.

#### EXPENDITURE AT \$63.3 BILLION

♦ Total expenditure, at \$63,270 million, is unchanged from the Budget Plan.

#### RESERVE AT \$1 BILLION

♦ Ontario's 2001-02 fiscal plan includes a \$1 billion reserve designed to protect the balanced budget against unexpected and adverse changes in the economic and fiscal outlook. The reserve will be available for debt reduction if not needed.



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**FISCAL PERFORMANCE****REVENUE**

- ♦ The revenue outlook, at \$64,270 million, is unchanged from the Budget Plan.

**OPERATING EXPENDITURE**

- ♦ Net operating expenditure, at \$61,326 million, is unchanged from the Budget Plan. Changes this quarter include:
  - ♦ Ministry of Natural Resources: An additional \$8 million for extra forest fire-fighting costs, fully offset from the Contingency Fund.

**PUBLIC DEBT INTEREST**

- ♦ The Public Debt Interest forecast of \$9,315 million, consisting of \$8,795 million related to the Province's borrowing on its own behalf and \$520 million related to the interest costs of debt issued for investment in the electricity sector, is unchanged from the Budget Plan.

**CAPITAL EXPENDITURE**

- ♦ Capital expenditure, at \$1,944 million, is unchanged from the Budget Plan.



## Statement of Financial Transactions (\$ Millions)

	Actual 1997-98	Actual 1998-99	Actual 1999-00	Interim 2000-01	Q1 2001-02
<b>Revenue</b>	52,518	55,786	62,931	64,927	64,270
<b>Expenditure</b>					
Programs	43,709	46,509	47,369	50,428	52,011
Restructuring and Other Charges	1,595	76	211	31	--
Total Program Expenditure	45,304	46,585	47,580	50,459	52,011
Capital	2,451	2,187	4,832	2,075	1,944
Public Debt Interest					
Provincial	8,729	9,016	8,977	8,883	8,795
Electricity Sector	--	--	520	520	520
Total Expenditure	56,484	57,788	61,909	61,937	63,270
Less: Reserve	--	--	--	--	1,000
Add: Net Impact of Electricity Restructuring to be Recovered from Ratepayers*	--	--	(354)	202	140
<b>SURPLUS / (DEFICIT)</b>	<b>(3,966)</b>	<b>(2,002)</b>	<b>668</b>	<b>3,192</b>	<b>140</b>
<b>NET PROVINCIAL DEBT †</b>	<b>112,735</b>	<b>114,737</b>	<b>113,715</b>	<b>110,725</b>	<b>110,725</b>

\* Reflects the estimated excess of revenue over expenditure of the Ontario Electricity Financial Corporation (OEFC). Consistent with the principles of electricity restructuring, OEFC debt is to be recovered from ratepayers, not taxpayers.

† Net Provincial Debt represents total Liabilities less Financial Assets.

## Selected Economic and Fiscal Statistics

	Actual 1997-98	Actual 1998-99	Actual 1999-00	Interim 2000-01	Q1 2001-02
Gross Domestic Product (GDP) at Market Prices (\$ Millions)	357,300	372,630	396,775	428,164	446,019
Ontario Population (000s) - July 1	11,249	11,386	11,517	11,669	11,816
Ontario Revenue as a per cent of GDP	14.7	15.0	15.9	15.2	14.4
Ontario Revenue Growth (%)	6.2	6.2	12.8	3.2	(1.0)
Ontario Total Expenditure as a per cent of GDP	15.8	15.5	15.6	14.5	14.2
Ontario Total Expenditure Growth (%)	0.2	2.3	7.1	0.0	2.2
Ontario PDI as a Share of Revenue (%)	16.6	16.2	15.1	14.5	14.5
Ontario PDI as a Share of Total Expenditure (%)	15.5	15.6	15.3	15.2	14.7
Ontario PDI as a per cent of GDP	2.4	2.4	2.4	2.2	2.1
Ontario Surplus / (Deficit) as a per cent of GDP	(1.1)	(0.5)	0.2	0.7	0.0
Net Provincial Debt per capita (\$)	10,022	10,077	9,874	9,489	9,371
Net Provincial Debt as a per cent of GDP	31.6	30.8	28.7	25.9	24.8

Sources: Ontario Ministry of Finance and Statistics Canada.

## **JOB GROWTH CONTINUES IN 2001**

- ◆ Ontario job creation has continued in 2001 with employment up 145,000 over the first five months compared to the same period in 2000.
- ◆ The healthy employment performance so far in 2001 follows solid gains of 184,000 in 2000 and 198,000 in 1999.
- ◆ Ontario's unemployment rate was 5.9 per cent in April and May.

## **CONSUMER SPENDING RISING IN 2001**

- ◆ Over the first four months of 2001, Ontario retail sales are up 4.1 per cent from a year ago.

## **HOUSING MARKET REMAINS STRONG**

- ◆ Over the first five months of 2001, housing starts in Ontario rose 5.7 per cent from the previous year.
- ◆ Ontario home resales are up 4.9 per cent over the first five months of 2001, compared to a year ago.

## **EXPORTS DECLINE WITH SLOWER U.S. ECONOMY**

- ◆ Over the first four months of 2001, Ontario merchandise exports fell 2.6 per cent from a year ago, largely the result of reduced auto exports to the U.S.
- ◆ Ontario manufacturing shipments fell 3.6 per cent during the first four months of 2001, following a 6.2 per cent rise for the year 2000.

## **RIISING ENERGY AND FOOD PRICES PUSH UP 2001 INFLATION RATE**

- ◆ Ontario's year-over-year inflation rate has averaged 3.7 per cent over the first five months of 2001, compared to an annual inflation rate of 2.9 per cent in 2000.
- ◆ Higher energy and food prices have been the main cause of the rise in the Consumer Price Index during the first five months of 2001.

## KEY ECONOMIC INDICATORS

(% Change from previous period, unless indicated otherwise)

		Annual	Annual	Quarterly				
		1999	2000	99:4	00:1	00:2	00:3	00:4
<b>Output (Seasonally Adjusted at Annual Rates)</b>								
Real GDP	Ontario	6.1	5.5	5.5	5.1	5.4	5.3	2.1
Nominal GDP	Ontario	6.5	7.9	3.9	11.5	9.5	8.0	2.1

		Annual	Annual	Monthly 2001				
		1999	2000	Jan	Feb	Mar	Apr	May
<b>Other Indicators (Seasonally Adjusted)</b>								
<b>Labour Markets</b>								
Labour Force (Change in 000s)	Ontario	157	157	(5)	(16)	22	12	6
Employment (Change in 000s)	Ontario	198	184	16	(38)	16	24	7
Unemployment Rate (%)	Ontario	6.3	5.7	5.7	6.1	6.1	5.9	5.9
<b>Household Sector</b>								
Retail Sales	Ontario	7.3	7.3	0.8	(0.8)	(0.5)	1.6	N/A
Urban Housing Starts (000s)	Ontario	62.9	67.4	76.3	68.0	74.1	68.6	66.6
New Home Sales*	Toronto	29.4	13.6	(11.7)	(19.5)	(13.7)	(10.4)	3.5
MLS Home Resales*	Ontario	7.4	(1.1)	11.5	(0.9)	(5.2)	5.2	15.3
<b>Manufacturing Shipments</b>								
Transportation Equipment	Ontario	23.3	0.7	0.5	(7.0)	3.2	4.3	N/A
<b>Consumer Price Index*</b>	Ontario	1.9	2.9	3.6	3.4	3.2	4.3	4.2

Sources: Statistics Canada, Ontario Ministry of Finance, Canada Mortgage and Housing Corporation, Greater Toronto Home Builders' Association, Canadian Real Estate Association and Ward's Automotive.

\* % change from a year earlier

N/A = Data not available



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# ONTARIO FINANCES

## FINANCIAL TABLES

# REVENUE

(\$ Millions)	Interim 2000-01	2001-02		
		Budget Plan	Current Outlook	In-Year Change
TAXATION REVENUE				
Personal Income Tax	18,975	18,010	18,010	--
Retail Sales Tax	13,757	14,340	14,340	--
Corporations Tax	9,130	8,340	8,340	--
Employer Health Tax	3,455	3,620	3,620	--
Gasoline Tax	2,242	2,300	2,300	--
Fuel Tax	651	655	655	--
Tobacco Tax	495	620	620	--
Land Transfer Tax	630	670	670	--
Mining Profits Tax	90	55	55	--
Preferred Share Dividends Tax	40	56	56	--
Other Taxation	197	154	154	--
	49,662	48,820	48,820	--
GOVERNMENT OF CANADA				
Canada Health and Social Transfer (CHST)	4,137	5,630	5,630	--
CHST Supplements	758	380	380	--
Social Housing	550	530	530	--
Student Assistance	40	64	64	--
Indian Welfare Services	118	117	117	--
Young Offenders Act	56	55	55	--
Bilingualism Development	64	64	64	--
Employability Assistance for People with Disabilities	58	39	39	--
Other	451	480	480	--
	6,232	7,359	7,359	--
INCOME FROM GOVERNMENT ENTERPRISES				
Ontario Lottery and Gaming Corporation	2,150	2,000	2,000	--
Liquor Control Board of Ontario	875	890	890	--
Ontario Power Generation Inc. and Hydro One Inc.	918	524	524	--
Other	25	10	10	--
	3,968	3,424	3,424	--
OTHER REVENUE				
Vehicle and Driver Registration Fees	930	925	925	--
Other Fees and Licences	680	685	685	--
Liquor Licence Revenue	525	518	518	--
Royalties	219	240	240	--
Sales and Rentals	585	300	300	--
Fines and Penalties	37	40	40	--
Local Services Realignment - Reimbursement of Expenditure	1,389	1,223	1,223	--
Miscellaneous	700	736	736	--
	5,065	4,667	4,667	--
TOTAL REVENUE	64,927	64,270	64,270	--
Total Revenue Excluding One-Time Tax Revenue in 2000-01*				
	63,913	64,270	64,270	--

\* Excludes one-time Personal Income Tax revenue of \$764 million and Corporations Tax revenue of \$250 million in 2000-01. These revenues are included in 2000-01 to reflect higher estimates of tax revenues for 1999-2000 than reported in the 1999-2000 Public Accounts.



# OPERATING EXPENDITURE

(\$ Millions)		2001-02		
		Budget Plan	Current Outlook	In-Year Change
MINISTRY	Interim 2000-01			
Agriculture, Food and Rural Affairs	406	446	446	--
One-Time and Extraordinary	233	--	--	--
Attorney General	971	979	979	--
Board of Internal Economy	117	117	117	--
Citizenship	78	78	78	--
Community and Social Services	7,638	7,756	7,756	--
Consumer and Business Services	157	168	168	--
Correctional Services	595	610	610	--
Economic Development and Trade	93	106	106	--
Education	8,096	8,471	8,471	--
Teachers' Pension Plan (TPP)	(779)	(230)	(230)	--
Energy, Science and Technology	469	284	284	--
Environment	190	215	215	--
Executive Offices	22	21	21	--
Finance - Own Account	896	773	773	--
Public Debt Interest				
Provincial	8,883	8,795	8,795	--
Electricity Sector	520	520	520	--
Community Reinvestment Fund	561	561	561	--
Provision for Electricity Sector	398	4	4	--
Health and Long-Term Care	21,779	23,486	23,486	--
Accelerated Health Care Commitment	498	--	--	--
Major One-Time Health Care Costs	486	190	190	--
Intergovernmental Affairs	5	5	5	--
Labour	105	113	113	--
Management Board Secretariat	224	346	346	--
Retirement Benefits	(197)	30	30	--
Contingency Fund	--	654	646	(8)
Municipal Affairs and Housing	1,819	1,214	1,214	--
Native Affairs Secretariat	18	15	15	--
Natural Resources	413	407	415	8
Northern Development and Mines	113	179	179	--
Office of Francophone Affairs	4	5	5	--
Solicitor General	905	932	932	--
Tourism, Culture and Recreation	361	392	392	--
Training, Colleges and Universities	3,236	3,365	3,365	--
Transportation	549	519	519	--
Year-End Savings	--	(200)	(200)	--
<b>TOTAL OPERATING EXPENDITURE</b>	<b>59,862</b>	<b>61,326</b>	<b>61,326</b>	<b>--</b>

# CAPITAL EXPENDITURE

(\$ Millions)		2001-02		
MINISTRY	Interim 2000-01	Budget Plan	Current Outlook	In-Year Change
Agriculture, Food and Rural Affairs	1	51	51	--
Attorney General	40	55	55	--
Community and Social Services	14	38	38	--
Correctional Services	95	98	98	--
Education	4	16	16	--
Energy, Science and Technology	80	76	76	--
Environment	4	13	13	--
Water Protection Fund	17	5	5	--
Finance	7	13	13	--
SuperBuild Millennium Partnerships	4	100	100	--
Contingency Fund	--	100	100	--
Health and Long-Term Care	211	200	200	--
Major One-Time Capital Costs	140	--	--	--
Management Board Secretariat	20	37	37	--
Municipal Affairs and Housing	14	8	8	--
Native Affairs Secretariat	5	7	7	--
Natural Resources	65	99	99	--
Northern Development and Mines	312	327	327	--
Solicitor General	4	9	9	--
Tourism, Culture and Recreation	27	68	68	--
Training, Colleges and Universities	205	51	51	--
Transportation	806	673	673	--
Year-End Savings	--	(100)	(100)	--
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>2,075</b>	<b>1,944</b>	<b>1,944</b>	<b>--</b>



# ONTARIO'S 2001-02 FINANCING PROGRAM

(\$ Millions)	Interim 2000-01	2001-02		
		Budget Plan	Current Outlook	Change from Budget
Surplus / (Deficit)	3,192	140	140	--
Accruals and Consolidations	(4,626)	(2,258)	(2,258)	--
Maturities*	(8,120)	(9,557)	(9,467)	90
Provision for Early Redemptions	(1,064)	(1,020)	(1,020)	--
Other Sources / (Uses)	(275)	--	--	--
Net Repayments from / (Loans to) Agencies	(110)	(42)	(42)	--
Decrease / (Increase) in Liquid Reserves	2,049	2,551	2,551	--
Increase / (Decrease) in Short-Term Borrowing	(113)	--	--	--
Canada Pension Plan Borrowing	611	1,130	797	(333)
Long-Term Public Borrowing	8,456	9,056	9,299	243
of which: Completed			5,674	
Remaining			3,625	

\* Maturing debt is lower than Budget Plan due to the Province exercising its options on extendible bonds.

- ♦ Long-term public borrowing undertaken in the first quarter totalled \$5,674 million as follows:

	(\$ Millions)
Ontario Savings Bonds	4,008
Domestic Issues	1,137
Euro Medium Term Notes	143
Global US Dollar	386
	<b>5,674</b>

- ♦ The 2001 Ontario Savings Bond (OSB) campaign has set another provincial record, with estimated sales totalling over \$4 billion.
- ♦ In addition to the borrowing and redemptions shown in the table, the Province has bought back \$60 million of previously issued debt, financing the purchases with similar amounts of debt issued at more favourable rates.
- ♦ Long term public market borrowing requirements are \$243 million higher than the 2001-02 Budget Plan. This is because the \$90 million decrease in maturities is offset by \$333 million less borrowing from the Canada Pension Plan. To date, CPP borrowing has been more expensive than other financing alternatives.
- ♦ The forecast Net Provincial Debt as of March 31, 2002 is \$110.7 billion, unchanged from the 2001 Budget Plan.



